

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Shiawassee District Library</u>	County Shiawassee
Audit Date November 30, 2005	Opinion Date February 28, 2006	Date Accountant Report Submitted To State: March 23, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1111 Michigan Avenue	City East Lansing	State MI	ZIP 48823
Accountant Signature <i>Plante & Moran, PLLC</i>			

Shiawassee District Library

**Financial Report
with Supplemental Information
November 30, 2005**

Shiawassee District Library

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Plante & Moran, PLLC

1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Shiawassee District Library Board
Lansing, Michigan

We have audited the accompanying basic financial statements of Shiawassee District Library as of and for the year ended November 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Shiawassee District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Shiawassee District Library at November 30, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

February 28, 2006



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Shiawassee District Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Shiawassee District Library (the "Library").

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the Library as a whole financial statements under the full accrual method of accounting.
- The Library as a whole financial statement columns provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Shiawassee District Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table below shows key financial information in a condensed format:

	2005	2004
Current assets	\$ 665,263	603,919
Capital assets	347,457	329,828
Total assets	1,012,720	933,747
Long-term liabilities	34,010	31,932
Other liabilities	26,201	26,487
Total liabilities	60,211	58,419
Net assets:		
Invested in capital assets - Net of debt	347,457	329,828
Unrestricted	605,052	545,500
Total net assets	<u>\$ 952,509</u>	<u>\$ 875,328</u>
Revenue:		
Property taxes	\$ 637,594	613,944
Other	191,317	200,874
Total revenue	828,911	814,818
Expenses - Library services	751,730	759,733
Change in net assets	<u>\$ 77,181</u>	<u>\$ 55,085</u>

Shiawassee District Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB 34. These statements will include a comparative analysis of government wide data for the years 2004 and 2005.
- The Library's net assets were \$952,509 on a full accrual basis. This represents an increase of \$77,181 compared to the prior year.
- The Library's primary source of revenue is from property taxes. For 2005, total tax collections were \$637,594, which represents 77 percent of total revenue as compared to 79 percent two years ago when no federal grants were received and last year's 75 percent which included a federal grant.
- Salaries and fringe benefits continue to be a significant expense of the Library, representing 66 percent of the Library's total expenses. This percentage fluctuated slightly due to the federal grant influence.
- Library materials, at \$105,190, are the second largest expenditure of the Library, representing 14 percent of the Library's total expenditures under the modified accrual basis.
- Total expenditures under the modified accrual method were \$767,281, a decrease of 0.7 percent between the prior year and the current year, due again to grant expenditures the previous year.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the General Fund.

- The fund balance of the General Fund increased by \$61,630 for the year. This represents unspent revenue greater than expenses and more than a third of that due to increases in interest rates after the original budget was approved.
- The Library board has designated funds to help manage money for specific purposes, such as building (furnishings) expansion, technology upgrades, and capital improvements.

Shiawassee District Library

Management's Discussion and Analysis (Continued)

Library Budgetary Highlights

Over the course of the year, the Library board amended the budget to take into account events that occurred during the year. Most amendments were minor except those related to capital outlay mentioned below.

Total personnel costs were less than originally projected, due to a savings in health care costs when premiums decreased by 2 percent.

Carpet and blind replacement in the adult department, along with photocopiers for each branch, were purchases delayed from the previous year. We upgraded several computers by replacing the cpu's only where possible, something that needs to be done annually with over 50 computers now in the two branches. As the City of Owosso funded an electric service upgrade, we were able to air condition the children's department for the first time with window units.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$347,457 (net of depreciation) invested in furniture, equipment, and books and materials. In 2005, the Library added approximately \$105,190 in new collection items consisting mainly of books, video materials, audio books, and music CDs.

The Library carries no long-term debt other than compensated absences.

Next Year's Millage Rates

On August 24, 2005, the Library board approved an operating millage rate of 1.2076 mills per thousand dollars of taxable value. This will generate an estimated \$664,450 in property tax revenue, based on the current taxable value of property in the Library district.

Shiawassee District Library

Governmental Fund Balance Sheet/Statement of Net Assets November 30, 2005

	General Fund - Modified- accrual Basis	Adjustments (Note 8)	Statement of Net Assets - Full-accrual Basis
Assets			
Cash (Note 2)	\$ 145,208	\$ -	\$ 145,208
Investments (Note 2)	512,471	-	512,471
Due from other governmental units	7,584	-	7,584
Capital assets (Note 3)	-	347,457	347,457
Total assets	<u>\$ 665,263</u>	347,457	1,012,720
Liabilities			
Accounts payable and accrued liabilities	\$ 26,201	-	26,201
Accumulated employee benefits (Note 4)	-	34,010	34,010
Total liabilities	26,201	34,010	<u>60,211</u>
Fund Balances - Unreserved			
Designated for:			
Retirement reserve	5,000	(5,000)	-
Building expansion	102,500	(102,500)	-
Durand lease	2,500	(2,500)	-
Penal fines stablization fund	123,030	(123,030)	-
Digitalization projects	3,450	(3,450)	-
Literacy support	890	(890)	-
Equipment replacement	20,000	(20,000)	-
Budgeted working capital	100,000	(100,000)	-
Undesignated	281,692	(281,692)	-
Total fund balance	<u>639,062</u>	<u>(639,062)</u>	-
Total liabilities and fund balance	<u>\$ 665,263</u>	<u>(605,052)</u>	
Net Assets			
Investment in capital assets		347,457	347,457
Unrestricted		605,052	605,052
Total net assets		<u>\$ 952,509</u>	<u>\$ 952,509</u>

Shiawassee District Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2005

	General Fund - Modified- accrual Basis	Adjustments (Note 8)	Statement of Activities - Full- accrual Basis
Revenue			
Property tax revenue	\$ 637,594	\$ -	\$ 637,594
Penal fines	102,156	-	102,156
State aid	24,995	-	24,995
Single business tax	10,985	-	10,985
Fines and fees	15,659	-	15,659
Rental revenue	6,591	-	6,591
Interest income	26,712	-	26,712
Donation income	4,135	-	4,135
Miscellaneous revenue	84	-	84
Total revenue	828,911	-	828,911
Expenditures			
Salaries and wages	405,912	2,078	407,990
Compensated absences	3,561	-	3,561
Payroll taxes	30,745	-	30,745
Employee benefits	62,509	-	62,509
Pension	904	-	904
Supplies	24,429	-	24,429
Professional services	23,458	-	23,458
Membership and dues	1,956	-	1,956
Education and training	6,230	-	6,230
Capital outlay - Equipment	16,110	(11,951)	4,159
Utilities	21,360	-	21,360
Maintenance and repairs	17,944	-	17,944
Library materials	105,190	(81,032)	24,158
Postage	7,683	-	7,683
State aid	24,981	(6,835)	18,146
Insurance	14,249	-	14,249
Depreciation	-	82,189	82,189
Other	60	-	60
Total expenditures	767,281	(15,551)	751,730
Excess of Revenue Over Expenditures/Change in Net Assets	61,630	15,551	77,181
Fund Balance/Net Assets - Beginning of year	577,432	297,896	875,328
Fund Balance/Net Assets - End of year	<u>\$ 639,062</u>	<u>\$ 313,447</u>	<u>\$ 952,509</u>

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of Shiawassee District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant account policies:

Reporting Entity

Effective July 1, 1994, the City of Owosso, the City of Durand, and Bennington, Owosso, and Rush Townships signed a district library agreement, creating the Shiawassee District Library. The Library is comprised of all the territory that is currently located in the jurisdictional limits of the Township of Bennington, the Township of Owosso, the Township of Rush, the City of Durand, and the City of Owosso. The Library is funded through property taxes, fines, fees, grants, state aid, and donations. The voters of the district approved a 1.25 mill tax for a 10-year period, which begins with a tax levy effective December 31, 2002. This millage provides for funding of Library operations through December 1, 2011.

The Library is governed by an eight-member board. The board consists of three members appointed by the City of Owosso, two members appointed by the City of Durand, and one member appointed by each of the townships. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's operations are accounted for in a General Fund. The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses.

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on a modified accrual basis, the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified-accrual and full-accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Financial Statement Amounts

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Capital Assets - Generally, capital assets are defined by the Library with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$5,000 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-10 years
Library books and materials	7 years

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unused accumulated vacation and personal days since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended November 30, 2005, when the proceeds of the levy are budgeted and available for the financing operations. The 2004 taxable value of the district totaled \$536,579,895 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.2161 mills for operating purposes. This resulted in \$637,594 recognized as property tax revenue.

Fund Equity - In the General Fund financial statements, the Library reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 2 - Deposits

Michigan Compiled Law Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as allowed by authority as listed above. The Library's deposits and investments policy is in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$78,605 of bank deposits (certificates of deposit and checking account) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 3 - Capital Assets

A summary of the changes in capital assets follows:

Capital Assets Being Depreciated	Balance December 1, 2004	Additions	Deletions	Balance November 30, 2005
Furniture and equipment	\$ 245,252	\$ 18,786	\$ -	\$ 264,038
Library books and materials	<u>1,052,344</u>	<u>81,032</u>	<u>71,432</u>	<u>1,061,944</u>
Total	1,297,596	99,818	71,432	1,325,982
Accumulated depreciation:				
Furniture and equipment	169,327	13,535	-	182,862
Library books and material	<u>798,441</u>	<u>68,654</u>	<u>71,432</u>	<u>795,663</u>
Total	<u>967,768</u>	<u>82,189</u>	<u>71,432</u>	<u>978,525</u>
Net book value	<u>\$ 329,828</u>	<u>\$ 17,629</u>	<u>\$ -</u>	<u>\$ 347,457</u>

Shiawassee District Library leases buildings from the City of Owosso and the City of Durand at a nominal amount.

Note 4 - Long-term Debt

A summary of the debt outstanding of the Library is as follows:

	Balance December 1, 2004	Additions	Deletions	Balance November 30, 2005
Compensated absences	<u>\$ 31,932</u>	<u>\$ 2,078</u>	<u>\$ -</u>	<u>\$ 34,010</u>

The compensated absences represent the estimated liability to be paid to employees under the Library's sick pay policy. The Library estimates that none of the above liability will be paid within the next year.

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 5 - Budget Information

The annual budget is prepared by Library management and adopted by the Library board of trustees; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The General Fund budget has been approved on an activity basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library board is included in the required supplemental information.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee medical benefits. The Library participates in the Michigan Municipal Risk Management Authority (the "Authority") for property loss, torts, and errors and omissions claims. The Library participates in the Michigan Municipal League program for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 7 - Pension Plan

Plan Description

The Library participates in the Michigan Municipal Employees' Retirement System, an agent, multiple-employer defined benefit pension plan that covers all full-time employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by board approval and requires a contribution from employees of 6.00 percent of gross wages.

Annual Pension Cost

For the year ended November 30, 2005, the Library's annual pension cost was \$904, which was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation assumption of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Trend Information

Fiscal year ended November 30:	2003	2004	2005
Annual pension cost	\$ -	\$ 624	\$ 904
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 7 - Pension Plan (Continued)

Actuarial valuation as of December 31:	2002	2003	2004
Actuarial value of assets	\$ 1,072,403	\$ 1,152,412	\$ 1,227,985
Actuarial accrued liability (entry age)	\$ 1,054,484	\$ 1,122,788	\$ 1,169,096
Overfunded AAL	\$ (17,919)	\$ (29,624)	\$ (58,889)
Funded ratio	101.7%	102.6%	105.0%
Covered payroll	\$ 245,921	\$ 285,628	\$ 296,429

Note 8 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

The General Fund's fund balance and the net change in fund balance differs from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

General Fund's Fund Balance - Modified accrual basis \$ 639,062

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the General Fund	347,457
Compensated absences are included as a liability	<u>(34,010)</u>

Net Assets of the Library - Full accrual basis \$ 952,509

Shiawassee District Library

Notes to Financial Statements November 30, 2005

Note 8 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Changes in Fund Balances - Modified accrual basis	\$ 61,630
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	18,786
Library books and materials	81,032
Depreciation	(82,189)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the General Fund statements	(2,078)
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Changes in Net Assets of the Library - Full accrual basis	<u>\$ 77,181</u>
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Required Supplemental Information

Shiawassee District Library

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2005

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property tax revenue	\$ 636,000	\$ 637,600	\$ 637,594	\$ (6)
Penal fines	94,350	95,950	102,156	6,206
State aid	25,025	25,025	24,995	(30)
Single business tax	10,975	10,975	10,985	10
Fines and fees	14,200	15,000	15,659	659
Rental revenue	5,050	6,550	6,591	41
Interest income	5,000	4,900	26,712	21,812
Donation income	4,200	4,100	4,135	35
Miscellaneous revenue	-	80	84	4
Total revenue	794,800	800,180	828,911	28,731
Expenditures				
Salaries and wages	414,150	414,150	405,912	8,238
Compensated absences	3,550	3,600	3,561	39
Payroll taxes	31,950	31,950	30,745	1,205
Employee benefits	76,850	64,200	62,509	1,691
Pension	1,100	1,125	904	221
Supplies	23,900	25,400	24,429	971
Professional services	28,200	29,775	23,458	6,317
Membership and dues	2,150	2,025	1,956	69
Education and training	6,300	6,425	6,230	195
Capital outlay - Equipment	-	16,250	16,110	140
Utilities	23,000	23,400	21,360	2,040
Maintenance and repairs	20,775	20,775	17,944	2,831
Library materials	113,650	115,050	105,190	9,860
Postage	9,800	8,200	7,683	517
State aid	25,025	25,025	24,981	44
Insurance	14,400	14,400	14,249	151
Other	-	80	60	20
Total expenditures	794,800	801,830	767,281	34,549
Excess of Revenue Over (Under) Expenditures	-	(1,650)	61,630	63,280
Fund Balance - Beginning of year	493,476	577,432	577,432	-
Fund Balance - End of year	<u>\$ 493,476</u>	<u>\$ 575,782</u>	<u>\$ 639,062</u>	<u>\$ 63,280</u>